

# IDAHO OUTLOOK

## NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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**Happy Birthday!** The U.S. economy celebrated its eighth straight year of growth this month. While this is very young in human years, it is old on an economic scale. On average, expansions have lasted just under four years. Not only has this expansion lasted twice as long as the average, it is fast approaching the record of 106 months that occurred from February 1961 to December 1969. However, this expansion refuses to act its age; it has actually become more vigorous as it has gotten older.

Instead of dancing a slow waltz, it's dancing a lively jig. For example, real GDP grew at a 3.7% annual rate in the third quarter of last year followed by an astounding 6.1% in 1998's last quarter. And the economy still hasn't developed any of the ailments common to old expansions. Like high blood pressure and cholesterol in humans, there are telltale signs an economy's health is at risk.

Two consistent symptoms are high inflation and high manufacturers' capacity utilization rates. A look at both of these suggests no imminent problems. Consumer prices, thanks to soft food prices and the collapse in oil prices, rose just 1.6% last year and remain under control. Likewise, the manufacturers' capacity utilization rate is safely below the critical level.

After this glowing check up, many experts have revised their prognosis for the national economy. In its November 1998 macroeconomic forecast, DRI projected that real GDP growth would slow to 1.7% in 1999. Four months later, it now projects that real GDP will grow 3.7% this year. Despite this improvement, no dangerous imbalances are anticipated. In fact, according to DRI's current forecast, the economy should continue expanding through 2003.

This is not to say the economy has discovered the fountain of youth or that its only mortal enemy is kryptonite. The economy may fall into a recession due to some unforeseen calamity. It could come in the form of a drop in consumer confidence or a policy mistake by the Federal Reserve. This would be the equivalent of a healthy person being hit by a bus. This being the case, we urge Chairman Greenspan to look twice before making any policy decisions.

**PNREC Returns to Idaho!** The 33<sup>rd</sup> Annual Pacific Northwest Regional Economic Conference will be held May 6-8, 1999 at The Grove Hotel in Boise, Idaho. The last time Idaho hosted a PNREC conference was 1988. This is a very special event that happens in Idaho only once per decade. The 1999 conference is designed to have very broad appeal and a high degree of relevance to today's hot economic

topics. If you are interested in the economy of Idaho and the rest of the Pacific Northwest, this is one event you'll definitely want to attend. DFM is an active supporter of this conference.

Detailed information concerning the content of the conference, speakers, and registration forms can be found at the website [www.pnrec.org](http://www.pnrec.org). If you don't have access to the web, please call Shauna Wallace at 208-334-3900 for further information. Here are some highlights:

The conference opens Thursday morning (May 6<sup>th</sup>) with a U.S. and global economic forecast presented by Kurt Karl, Executive Vice President of Global Services at WEFA (formerly Wharton Econometric Forecasting Associates). He'll be followed by state and provincial forecasts for the Northwest states, British Columbia, and Alberta. Thursday's luncheon will feature a presentation by Patricia Gwartney, Director of the Oregon Survey Research Laboratory at the University of Oregon. Dr. Gwartney will discuss her organization's research on poverty in the Pacific Northwest. A reception Thursday evening at the Idaho State Historical Museum will feature a presentation by Joseph Taylor on the history of Salmon in the Northwest.

Friday will include several headline events, including a luncheon talk on "How the Financial Press Misreports Economic News" by Gene Epstein, lead economic writer for Barron's Magazine. Dinner on Friday will feature a presentation by Ted Strong, Director of the Columbia River Inter-Tribal Fish Commission on the role of Native Americans in the economy of the Pacific Northwest. Friday's program will conclude with a performance by Boise's own Oinkari Basque dancers.

Saturday will feature a distinguished panel on the Future of the Northwest. This promises to be a lively, interactive session that is sure to offer insight into the hot political/economic issues of the years ahead. The final session of the 1999 conference may turn out to be the most popular. Micron Technology has generously provided a fully featured Personal Computer that will be given to a lucky conference attendee in a drawing to be held at the close of the conference. All regular conference attendees are eligible for this grand prize, but there is one catch: the winner must be present to claim the computer!

These are just a few of the highlights of the 1999 Pacific Northwest Regional Economic Conference. We encourage you to visit [www.pnrec.org](http://www.pnrec.org) or call 208-334-3900 for further details.

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## General Fund Update

As of February 28, 1999

<u><b>Revenue Source</b></u>	<b>\$ Millions</b>		
	FY99 Executive Estimate <sup>3</sup>	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	818.6	516.4	519.1
Corporate Income Tax	110.4	53.7	45.1
Sales Tax	577.6	393.0	399.7
Product Taxes <sup>1</sup>	15.7	10.6	10.6
Miscellaneous	73.6	39.9	41.5
<b>TOTAL GENERAL FUND<sup>2</sup></b>	<b>1,595.9</b>	<b>1,013.6</b>	<b>1,016.0</b>

<sup>1</sup> Product Taxes include beer, wine, liquor, and cigarette taxes  
<sup>2</sup> May not total due to rounding  
<sup>3</sup> Revised Estimate as of January 1999

General Fund revenue was \$6.4 million below the target for February. Weakness in both the Individual Income Tax and Corporate Income Tax more than offset strength in the Sales Tax. On a cumulative basis General Fund revenue is now \$2.4 million ahead of the target for the first eight months of FY 1999.

Individual Income Tax collections were \$5.9 million lower than expected for the month of February. This is not as serious as it appears, however, since it is largely the result of refunds that were \$2.8 million higher than expected in February. These higher-than-expected refunds are the result of improved efficiency at both the taxpayer and the tax collector levels. Tele-filing, E-filing, Turbo-Tax, etc. are making for much greater speed in the submission and processing of state income tax refunds. Both withholding collections and filing collections contributed to the weakness in February, but these two elements of the Individual Income Tax are ahead of year-to-date expectations.

Corporate Income Tax collections returned to their lackluster performance trend for FY 1999, with collections \$1.1 million below the target for February. This is entirely due to weak quarterly estimated payments, which were \$2.1 million below the February target. This was partially offset by a combination of higher-than-expected filing payments and lower-than-expected refunds.

Sales Tax collections rebounded in February, coming in \$1.6 million ahead of the target. This brings the year-to-date excess to \$6.7 million. It should be remembered that an extra \$6.5 million was received in December as the result of a multi-year audit recovery.

Product Taxes were again on target in February, and Miscellaneous revenues were \$1.0 million lower than expected. The Miscellaneous revenue weakness was due to lower-than-anticipated interest earnings and insurance premium tax collections.